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JANUARY 24, 1966

WHERE THE U.S. STANDS ON GRAIN NEGOTIATIONS

WORLD RICE RESEARCH

HOW OUR FARM EXPORT PATTERN HAS CHANGED

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FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

A WEEKLY MAGAZINE OF THE UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

JANUARY 24, 1966

VOLUME IV • NUMBER 4

Students at the International Rice Research Institute in the Philippines compare traditional transplanting (foreground) with direct placement of seeds into paddy. (Story on page 8; photos from the Rockefeller Foundation.)

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Irwin R. Hedges, *agricultural trade specialist with the Executive Office of the President, in a talk before the National Association of Wheat Growers analyzed the prospects and problems of organizing international trade in wheat. The main points of his speech follow.*

Where the U.S. Stands on GRAIN NEGOTIATIONS in the Kennedy Round

The Ministers of the countries belonging to the General Agreement on Tariffs and Trade (GATT), who met in May 1963 to launch the Kennedy Round, decided that grains negotiations should be carried out by a special group aimed at negotiating a world grains arrangement. This group comprises the principal countries, both importers and exporters, concerned with international trade in cereals.

In the course of their discussions the group has identified the following major elements to be dealt with in a grains arrangement: Internal prices and domestic policies, international prices, access to markets, assurances of supply, stocking, and food aid.

In a grains arrangement participants would be expected to undertake specific commitments on all or most of the agreed elements. Although the nature of these commitments might vary depending on the particular systems of farm support and protection in each country, they should be effective in meeting the aims of the arrangement.

Internal prices and domestic policies

The level of price supports and the nature of price support commitments vary widely from country to country. Under the new U.S. wheat program farmers are guaranteed returns equivalent to parity only on that portion of their crop consumed domestically. For the remainder, the returns will be based on world prices. To obtain the benefits of the program, however, farmers must restrict their grain acreage.

The EEC, on the other hand, proposes to guarantee their farmers a high price, about $2.60 a bushel at the farm, for unlimited production. Until very recently the United Kingdom has also provided its farmers with a high guaranteed return for unlimited production, but more recently a modest restraint has been introduced by limiting the guarantee of nearly $2.00 a bushel to a standard quantity.

There is general agreement that excessively high domestic support prices must be dealt with in a cereals arrangement. The European Economic Community has proposed a freezing of price support levels in relation to a fixed world reference price. But the mere freezing of present price support levels, while permitting unlimited production, would not make a significant contribution to the objective of acceptable conditions of access and an equitable sharing of the responsibilities of adjusting supply and marketings to demand.

We do not think that a balance between production and demand could be brought about by price adjustments alone. Incomes of wheat producers must also be protected. To expand world trade and at the same time assure wheat producers adequate income, it is essential that all major participants, importers as well as exporters, make a contribution to a better supply/demand balance by effective measures of supply and marketing restraint.

Production adjustments

All participating exporters should commit themselves to exercise restraints on production and marketings, as appropriate, so as to meet the objectives of the world grains arrangement. The United States has operated an extensive program along these lines in the past, and would be prepared to commit itself to continuing a similar effort provided other major participants make commitments that would achieve comparable results.

Each country should be free to determine for itself the particular measures of restraint employed. We would not ask other countries to change their grain programs to conform to those of the United States. The peculiarity of each situation would require techniques to be different. What we would be interested in would be the totality of the effects of different systems in meeting objectives.

Access to markets

The obligation to exercise restraints as required on production and marketing to achieve the objectives of the arrangement would apply to importers and exporters alike. For importers these measures would be designed to assure exporters continued access opportunities to importers' markets. The access commitment of importing countries should be to so arrange their domestic policies as to maintain imports at levels no less than the average of a recent base period and adjusted for growth in their total grains consumption.

We have proposed that importing countries supporting domestic production should commit themselves to maintain at least the present balance between imported and domestic supplies and to adjust their domestic policies to this end. Any excess production over and above the quantity required to maintain this balance should be discouraged through measures such as (1) acreage reductions or marketing restrictions; (2) limiting the quantity to which price supports apply with effective disincentives for excess production, e.g. returns on excess production no higher than world prices; or (3) other means.

There would thus be recognition that expanded production in importing countries contributes to the creation of world surpluses of grain just as much as expanded production in exporting countries.

Under the high guaranteed returns for unlimited production which the United Kingdom has provided its producers in the past, wheat imports have fallen from 60 percent of consumption in the early 1950's to less than 50 percent at present. In the absence of restraints or

disincentives, production will likely continue to expand more rapidly than consumption. Likewise, the high level of support prices the EEC has adopted will likely expand grain production at the expense of imports.

International prices

The United States would favor the inclusion in a world grains arrangement of an international price range. Each participant would agree to abide by this price range in conducting all commercial transactions, just as they do under the present International Wheat Agreement.

The price range should not be such as would induce uneconomic and excessive production, but should reflect a remunerative return to efficient producers. It should also be set with the view that trading would normally take place within the range rather than at the maximum or minimum. It is difficult to see how normal trading practices could continue if the minimum price were set so high as to become the effective trading price for extended periods of time. If the minimum price became the normal trading price, the next step would very likely be market allocation or severe non-price competition.

An international price range could not be determined, however, independently of the supply/demand balance created by the grains arrangement, but rather it would be established in accordance with this balance. In the absence of the entry of Russia and Communist China into world grain markets as major buyers, it is likely that even the present IWA minimum price for wheat would be under severe test. Certainly, U.S. and world market conditions would have been chaotic in the past decade had U.S. farmers produced and marketed all the grain they could have in the absence of restraints

It would be difficult to foresee agreement on a minimum price level that wheat producers generally would find acceptable unless all major grain importers and exporters cooperate in creating market conditions that make such a minimum price possible. The United States therefore has not tried as yet to focus on the price range that an international grains arrangement should contain, aside from recognizing that it should not be such as to encourage expanded production abroad.

Assurances of supply, stocking

The exporters' counterpart of reasonable assurances of access to their markets by importers would be commitments to supply at all times importers' grain requirements within the specified international price range.

The United States, in cooperation with other exporters, would be prepared to undertake commitments along these lines and to maintain the necessary reserves for such purposes. The record of the past 25 years has shown repeatedly that this is indeed a valuable service. On several occasions, not to mention the war period, Western Europe has had to turn to the United States for emergency supplies to supplement its own short harvest.

Grain for food aid

There can be no question that in the past U.S. efforts in this field have been closely related to surplus disposal. As our stocks diminish, so does the pressure to use food aid for this purpose. Yet the need for food aid is still there and growing. Projections of trends in population and food production in less developed countries show that the gap will widen in the years ahead.

We believe that other developed countries could make a beginning in facing up to their collective responsibilities in meeting these needs of the less developed countries in a grains arrangement. We therefore believe that food aid should be an integral part of a grains arrangement, and that both importers and exporters should contribute grains as well as funds for this purpose.

Three essential principles

To summarize, a world grains arrangement must hinge on three principles realistically related to the world situation:

- The need for meaningful assurance of access to the major commercial markets of the world and equal opportunity for all to compete;
- The need for all participants in a WGA to accept part of the burden and to share the responsibility for adjusting production and managing the supplies moving into commercial markets;
- The need for all participants in a WGA to share the responsibility for feeding the hungry of the world.

These principles form the three pillars of our proposal. Other provisions, such as the level of international prices and the minimum price, would reflect the supply/demand balance created by the provisions of the arrangement relating to these principles.

Chances of negotiating

It is appropriate to ask what are the prospects of negotiating such an arrangement.

The other exporters probably view as the major benefit to be derived from a world grains arrangement the stabilization of prices at levels they would deem satisfactory. They have some apprehension that the United States is prepared to launch a price war if necessary to be competitive in the commercial wheat markets of the world. They recognize that under the new wheat legislation the United States can be more aggressive in selling wheat.

As long as the United States unilaterally follows practices that tend to put a floor under world prices, other countries benefit without incurring obligations. The willingness of the United States to accept lower prices for the export of its wheat crop strengthens its hand in the negotiations. On the other hand, the heavy Communist purchases, especially this year, have buoyed up world prices, and lessened concern about lower prices.

The more basic issue in the negotiations, however, is what concessions or commitments major importers are willing to give. Essentially this involves the United Kingdom and the EEC. Japan, the other major importer, is likely to have an expanding need for grain imports under any circumstances.

British bilateral agreement

The United Kingdom negotiated 2 years ago bilateral agreements with its major cereals suppliers. Under the agreement the United States agreed to a schedule of minimum import prices into the United Kingdom and in effect gave the United Kingdom permission to collect a levy if prices fall below the minimum. The level of minimum import prices was set below the prevailing market prices at that time, and with the exception of some classes of

wheat for brief periods, prices have remained at or above the minimum. To date, no levies have been collected by the United Kingdom on U.S. grain.

In exchange, the United Kingdom committed itself to the objective of maintaining the present balance between domestic cereals production and imports, and of providing both domestic producers and overseas suppliers with the opportunity to share in future growth in the United Kingdom market.

The United Kingdom further committed itself to adjusting its domestic cereals policies to this end, and to periodically reviewing with its suppliers its domestic policies in the light of the agreement. It also committed itself to take corrective remedial action if grain imports fell below the level of the average of the 3 years ending June 30, 1964.

Agreement not successful

I have just returned from the second annual review of the operation of the Agreement. I regret to say that from the United States point of view the Agreement has not been a success to date. Imports the first year ran below the target levels in the Agreement and promise to do so again this year, in spite of the fact that the British reduced their support price to producers last year by 3 or 4 percent.

The experience with the Agreement has been of value, however. In the future the United States will probably be cautious about agreeing to a fixed set of grade and quality differentials at the minimum in a broader agreement. When prices press against the minimum, we have found that fixed differentials can limit our opportunity to be competitive.

Developments under the present British bilateral will have important implications for the GATT negotiations underway in Geneva. If the provisions of the arrangement are insufficient to assure the maintenance of imports into the British market, we would require more explicit assurances before entering into a broader multilateral arrangement. We are, of course, aware of the difficulties the United Kingdom faces in giving meaningful assurances of access into its markets. There is not only the political problem of the reaction of its own producers, but right now serious balance-of-payments problems exist.

Limited by French withdrawal

We have not yet reached the point in the GATT cereals negotiations where there has been a real test of the willingness of the Europen Economic Community to make meaningful concessions in a cereals arrangement. The internal EEC crisis caused by French withdrawal from participation in the Community policy-making bodies has severely limited progress in the Kennedy Round.

We do know, however, that it will be difficult to negotiate with the Community the kind of arrangements for grains that we would require. The Community has agreed upon a level of common grains prices to go into effect on July 1, 1967, that will give a powerful stimulus to grain production in France, the member with the principal grain producing capacity.

France is already a surplus grain-producing country, and expects to sell all of this surplus that it can to the other members of the community. Nevertheless, France recognizes that it will continue to have in most years important quantities of wheat to market in third countries. France therefore has an interest in organizing world markets and in stabilizing world prices. However, in the final analysis our success in obtaining meaningful access commitments on cereals and other agricultural products from the Community will depend primarily on how we use our bargaining power in the Kennedy Round.

Grains form keynote

In conclusion, I want to state that the United States is firmly committed to a successful Kennedy Round of trade negotiations. Our present negotiating authorities under the Trade Expansion Act of 1962 expire June 30, 1967. We therefore have a limited time to complete the negotiations. But we continue to believe that these negotiations can be brought to a successful conclusion before that date. We have repeatedly emphasized that a successful negotiation must provide improved access to world markets for U.S. farm products, including wheat. Grains negotiations are therefore important for the whole Kennedy Round.

Israel Is Encouraging New Export Crops

Israel's continuing efforts to raise profitable export crops are reflected in a number of recent developments.

The Ministry of Agriculture is now encouraging farmers to grow tomatoes for processing. It is expected that of the total 25,000 metric tons of tomatoes to be supplied to processors in 1966, about 3,500 metric tons will consist of new varieties, some of which have recently been brought to Israel from California. These varieties ripen in a short period and are harvested by combines. Two such combines, costing $27,000 each, have been ordered. Tomato products, both from these and from other varieties, are considered to have good export possibilities.

The export market for almonds is also considered favorable. The Ministry of Agriculture has consequently made plans for planting 200 hectares (1 hectare = 2.471 acres) of almonds in the next 2 years.

Avocados unprofitable

Conversely, the recent expansion of avocado plantings has slowed down. While plantings reached some 200 hectares a year in 1962 and 1963, they declined to 60 hectares in 1964, when a 70-hectare-per-year ceiling on plantings was decided on by the Fruit Board. In 1965 roughly 50 hectares were planted.

The fall in avocado plantings resulted from growing concern over marketing problems. These are expected to increase when the 900 hectares of avocados now in the ground become fully productive. Most of the crop will have to be exported, and extensive market development work is required to gain consumer acceptance of this relatively unknown fruit.

Following the slowdown in avocado plantings, nurserymen are destroying thousands of plants which had been prepared for previous large-scale plantings. Citrus plants are also being destroyed in nurseries, as these too were prepared in excess of needs. Citrus plantings are now much smaller than in previous years. Nurserymen are demanding compensation for their losses resulting from changes in planting policies. They also want centralized planning for fruit tree nurseries to prevent a recurrence of the divergence between supply and requirements.

—VOLORUS H. HOUGEN
U.S. Agricultural Attaché, Tel Aviv

A Year of Problems for EEC, GATT, and UNCTAD

In 1965, the agricultural news spotlight was often on Brussels and Geneva. In both cities, representatives of many countries met often at sessions of various international organizations, to discuss problems arising from diverse policies on agricultural production and trade.

Brussels, home base of the European Economic Community's Council of Ministers, was the scene of a long and still unsettled argument between France and the other five EEC members on the EEC's future and function.

Geneva is the home of two international bodies concerned with world agricultural trade—one old and one new. During 1965, the Sixth (Kennedy) Round of trade negotiations under the General Agreement on Tariffs and Trade (GATT) moved slowly forward; and the newborn United Nations Conference on Trade and Development (UNCTAD) worked to set up its institutional machinery.

EEC's farm policy delayed by lack of agreement

The Community's movement toward a Common Agricultural Policy (CAP) was halted in late June when France recalled its representative to the EEC Council. Since then, France has not participated in Council meetings.

Agreement had not yet been reached among the member nations on a number of controversial proposals presented to the Council by the EEC Commission, and on several important policy issues. At the time, it appeared that the more important of these unsettled matters were the financing of the CAP; the distribution of customs duties receipts among the member countries and the date when these receipts are to go directly into the EEC treasury; and the budgetary powers of the European Parliament.

Since June 30, however, more fundamental political differences have been raised between France and the other five EEC members. Efforts are being made both within the EEC organization and by various national governments to reconcile the political and economic differences that are hampering Community progress.

The EEC is continuing, however, to implement some marketing regulations already agreed on. These cover a large part of its agricultural production. In February 1965, it passed more stringent supplementary regulations on imports of fruits and vegetables; on June 30, it put into effect directives concerning health requirements for intra-Community trade in cattle and pigs and in fresh meat. These directives included a statement that requirements on meat and livestock imports from third countries should be "no less stringent" than those applying to intra-Community trade.

Final decisions have yet to be made on common policies for sugar, fats and oils, and tobacco, common prices for beef and veal and for dairy products, and Kennedy Round negotiating matters. These seem likely to be postponed until the political issues are resolved.

EEC's expanding trade relationships

A number of nations are now trading with EEC on special preferential terms. Iran, Israel, and Lebanon have most-favored-nation agreements involving a variety of concessions. Greece and Turkey are associate EEC members; Austria, Sweden, Switzerland, and Cyprus have applied for associate membership; Portugal and Spain have asked for negotiations on association.

An association agreement is in effect with 18 independent African nations: Burundi, Cameroon, the Central African Republic, Chad, the two Congos (Brazzaville and Leopoldville), Dahomey, the Ivory Coast, Gabon, the Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Senegal, the Somali Republic, Togo, and Upper Volta. The overseas territories of EEC member nations also enjoy preferential status in the EEC. The French overseas departments (Guadeloupe, Martinique, French Guiana, and Réunion) have special provisions for agricultural subsidies within the EEC system.

GATT continues working on Kennedy Round

GATT, essentially a multilateral trade agreement with no formal organization, does, however, have an international secretariat housed in Geneva. There, the countries that are Contracting Parties to the agreement are now carrying on their sixth round of tariff negotiations since GATT came into force on January 1, 1948.

The primary objectives of GATT are to liberalize trade in both agricultural and industrial products. The United States is taking part in the Kennedy Round under the authority granted the President by the Trade Expansion Act of 1962.

An important phase of the GATT negotiations began in November 1964, when the major trading nations submitted their offers of tariff cuts on industrial products. In June 1965, after several preparatory meetings on the negotiations for agricultural products, specific proposals were submitted on negotiations for a worldwide grains agreement. For other agricultural commodities, discussions were held during May and June to prepare for the scheduled submission of offers on September 16, 1965. The United States and most of the major agricultural trading countries —but not the EEC countries—did submit their offers on agricultural products. Since then, the negotiating teams in Geneva have been examining these offers, but without the participation of the EEC, full-scale activity is impossible.

Actual negotiations on both agricultural and industrial products will, it is hoped, begin early this year, although the ability of the EEC to make agricultural offers and to participate fully in the negotiations will continue to influence this phase of the Kennedy Round. The ultimate outcome of the negotiations will affect the access of many U.S. farm products to foreign markets including those of EEC.

UNCTAD organizes itself

Formally established on December 31, 1964, by General Assembly resolution, UNCTAD is a permanent part of the United Nations. It is designed to deal with trade problems of the less developed countries as they affect economic growth. This body devoted most of its efforts during 1965 to setting up machinery and procedures.

(Continued on page 16)

Adopted from *The World Agricultural Situation: Review of 1965 and Outlook for 1966* (FAER No. 28). Copies available from the Division of Information, OMS, USDA, Washington, D.C. 20250.

How Our Farm Export Pattern Has Changed

Steady growth in U.S. production on the one hand and larger overseas import needs on the other have made the foreign market increasingly important to many of our farm products during the last 6 years. What this market meant to each of the top U.S. agricultural exports during fiscal 1965 as opposed to fiscal 1960 is illustrated below.

Though the share of commercial agricultural production moving overseas during these 6 years has risen only slightly from the nearly 14 percent recorded in fiscal 1960, there have been some striking changes among the commodities making up our top 10 exports: The percentage of soybeans, corn, and grain sorghums moving abroad has skyrocketed, while that of cotton and barley is off sharply.

Grains more dependent

Grains, accounting for 6 of the top 10 positions, have as a whole become much more export-oriented, responding to the rising food grain need in developing nations and to the explosive growth overseas in production of livestock.

Rice, traditionally the commodity most dependent on the foreign market, was matched in fiscal 1965 by wheat, more of which is being programed under Public Law 480 for food-short India and for other nations similarly troubled by low crop yields. (Our largest wheat and rice market, India has a rice acreage 50 times that in the United States but a rice production only a little over 17 times as large).

These food grains have been far outperformed, however, by corn and grain sorghums—the major high-energy ingredients of mixed feeds—shipments of which have been booming ever since Western Europe and Japan began expanding and updating their livestock and poultry enterprises. As a result, the percentage of our corn production moving abroad in fiscal 1965 was more than double that for fiscal 1960, while the percentage for grain sorghums was up 35 percent. And with nations in every part of the globe taking off on livestock development, these commodities in the future are likely to be siphoned off to an even greater extent by export demand.

One grain, barley, has become increasingly dependent on the domestic market, as a result of a 50-percent drop in exports over the past 5 years. Since it is not an ingredient in mixed feeds, barley has been largely exempted from the demand influencing exports of corn and grain sorghums, and its production is now decreasing in favor of soybeans and other more profitable crops.

More of soybean crop exported

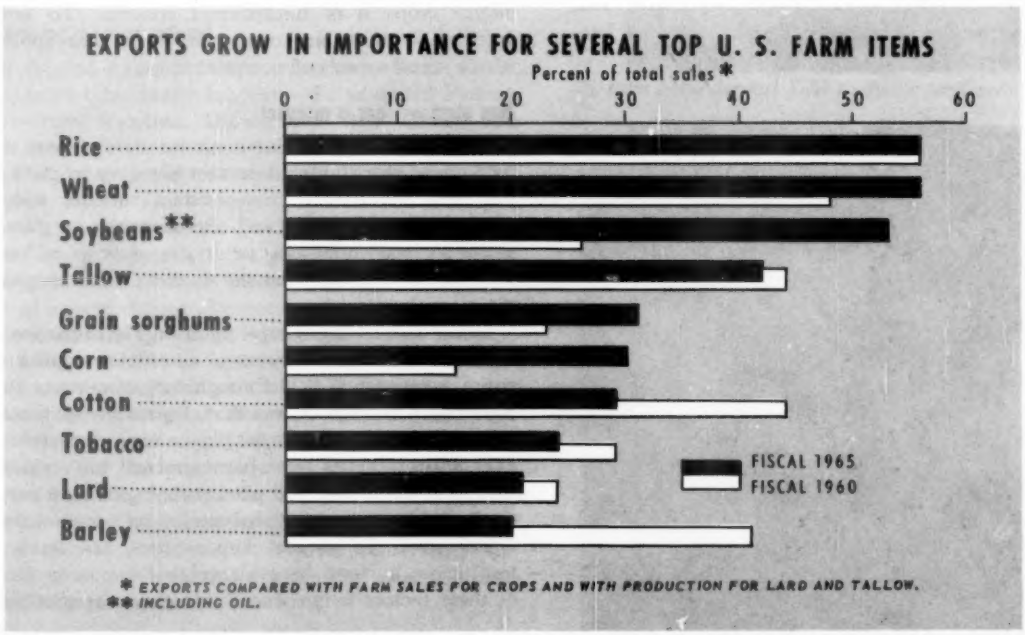
Two other of the top 10 exports also have been heavily influenced by foreign mixed feed industries. These are soybeans and tallow—respectively used as high protein and high energy ingredients of formula feeds. If it were not for this growing use, tallow would, in fact, be in trouble, as it is becoming less important in soap making—long its traditional outlet. Similarly soybean cake and meal—the soybean byproduct used in mixed feeds—has enjoyed a more viable foreign market than has soybean oil. Now twice as dependent on the export market as they were 5 years ago, soybeans account for a sixth of our export earnings from agriculture.

Declines in other commodities

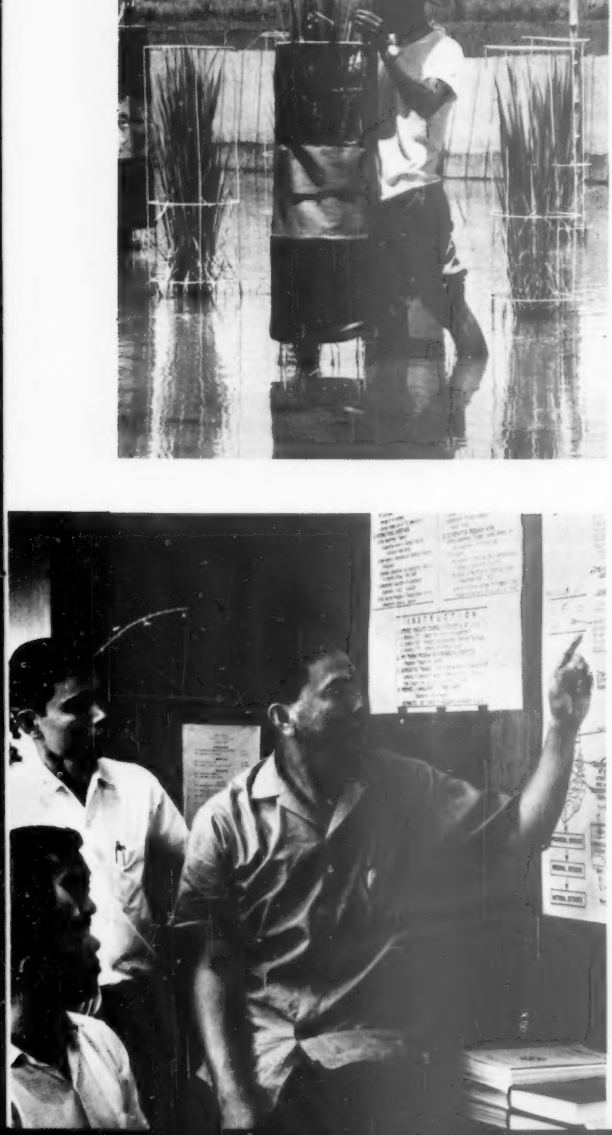
Export percentages for cotton, lard, and tobacco are down, in contrast to those for grain. However, these figures are not really accurate indicators of foreign market activity in the three commodities.

For cotton, the comparison between fiscal 1960 and 1965 is distorted because total exports in the earlier year were exceptionally large—second biggest on record—and those in fiscal 1965, comparatively small. Nevertheless, cotton's

(Continued on page 16)



Typical of the Institute's modern facilities is the administrative building on the right; below, plant physiologists study the effects of shade on nitrogen response of the rice plant; bottom, statistician briefs his staff and students on the results of research in sampling procedures.



World Rice Research Centers

The International Rice Research Institute, entering its fifth year of scientific work, is the focal point of worldwide efforts to improve rice cultivation. Located at Los Baños, 40 miles south of Manila, the Institute is a registered, nonprofit Philippine corporation receiving most of its financial support from the Rockefeller and Ford Foundations.

Administration is lodged in a Board of Trustees representing six nations—Indonesia, Japan, the Philippines, Taiwan, Thailand, and the United States. Senior scientists on the Institute's staff are graduate faculty members at the nearby College of Agriculture of the University of the Philippines, and many of its trainees are graduate students at the agricultural school.

With rice the staple diet of more than half the world's population and non-Communist Asia providing half the Free World's output, improvement of the Far Eastern and Indian crops is of fundamental concern. To this end, Institute scientists are conducting basic and applied research on all aspects of rice production.

New plant varieties in prospect

Strong emphasis is placed on the development of new varieties of rice plants. A current breeding program promises early maturing, disease-resistant varieties with good yields in highly fertilized soil. Because they are short, stiff-stemmed, and insensitive to varying degrees of sunlight, these plants should lessen the decrease in yield typical of the monsoon season.

Insect and disease control figure highly in the Institute's research. In 1964, a systemic insecticide applied to an entire experimental field through irrigation water reduced stem borer damage to less than 1 percent—a remarkable advance against this constant plague to rice growers. Also, over 8,000 varieties have been screened for resistance to the rice blast disease, and plant pathologists have expanded work on viruses and initiated studies on bacterial diseases.

The stress on varietal improvement and on systemic insecticides is based on evidence that if one or the other of these factors is introduced into the cultivation systems

rs titute in Philippines

now used in Southeast Asia, a more than 100-percent increase in yield can result.

Research—local and international

Other studies now going on include chemical weed control, the metabolism of the rice plant, and the cooking and nutritional qualities of different varieties. To determine the best field conditions for high yields, scientists are also experimenting with crop rotation, spacing, and fertilizer needs.

Work at Los Baños is supplemented by the Institute's growing program of cooperative research throughout the rice-growing world. Experiments on the effects of climate on the rice plant are underway in five countries. Also conducted on a cooperative basis is research in taxonomy and heredity factors.

Varied training programs offered

This detailed research enables scientists to better fulfill the Institute's other major function—the advanced training of agricultural scientists. During 1964, 105 scholars and fellows from 11 Asian countries and one each from Africa and Latin America were in residence for some part of the year.

Training programs at the Institute vary from 1 or 2 months for skill in specific techniques to 1 year for training in a general field of study and 2 years or more for a master of science degree. Degree candidates take a year's course work at the College of Agriculture and do full-time research for 1 year at the Institute.

The Institute also holds international symposia to bring together scientists from all over the world for thorough reviews on their work. In 1964, a conference on mineral nutrition of the rice plant attracted 68 participants and observers from 18 countries. In the same year, entomologists from 14 nations attended the symposium on major insect pests. At the close of Institute conferences, the proceedings are published and disseminated to areas where they will be most useful.

Clockwise from top: Mexican scholar demonstrates one method of obtaining hybrid seeds; bird- and rodent-proof cage where new plant varieties are developed; photographer prepares enlarged shot of stem borer larvae; field study on fertilizer.

Clockwise from above: U.S. cattle welcomed in Korea; (l-r) Pier Talenti, Italian breeder, R. C. Tetro, U.S. Agricultural Attaché, C. J. Larson, Holstein Friesian official, with U.S. Holsteins at Cremona; U.S. cattle judge in Venezuela.

USDA Livestock Marketing Specialist Challenges U.S. Cattle Industry To Expand Future Exports

Cattlemen not producing for export would do well to explore this avenue of sales, according to USDA Livestock Marketing Specialist Fred M. Lege.

In a speech delivered at the First South Texas Agricultural Export Conference in Houston, Mr. Lege told potential breeding cattle exporters what the expanding foreign market has to offer and how the Foreign Agricultural Service helps in making contacts abroad. The speech follows.

First of all, I would ask the prospective exporter a few questions:

- Do you raise "quality" cattle that are in demand by foreign buyers?
- Will you be patient with buyers who speak little or no English?
- And will you find out how the buyers generally transact business and consider changing your operation to meet their needs?

If your answers to these questions are all "yes" then the Foreign Agricultural Service can be of some assistance to you.

We receive some direct requests for cattle through our agricultural attachés stationed in foreign countries, as well as through our marketing specialists making contacts with prospective buyers abroad.

To avoid partiality to any one producer, we pass the information on to producer trade groups. Information on registered cattle and grade dairy animals goes to the national breed associations for distribution to their breeders and export agents; information on grade beef animals, to the National Cattlemen's Association and to the American Stockyards Association.

FAS aids to exporters

At this point you do not have a "buyer," only a "prospect." The vigor with which you follow up these leads often determines whether you make the sale. If the prospect is in the Latin American area—still the prime market for U.S. cattle—FAS can provide you with a list of suggestions on transacting business. Entitled "Suggestions for Foreign Buyers of U.S. Livestock," the list covers names, addresses, and telephone numbers of the breed associations, the airlines for cattle shipments, and insurance companies, as well as a number of other helpful hints.

Should you make a sale, an FAS publication, "Guide for U.S. Cattle Exporters," tells how to utilize the letter of credit for payment. You can do this yourself, though you may want assistance from an export agent—at least for the first few times. (The publication also includes information on overseas health regulations and on milk yields, and, in some cases, type classification, necessary to meet import requirements.)

As potential exporters, you will of course want to know the degree of success your predecessors have had overseas. To give you some idea of this, I will quote from the U.S. Department of Commerce statistics for the first 10 months of 1965 as compared with the same period of 1964.

- U.S. exports of dairy breeding cattle, at $6.7 million, were $3.7 million above those in the 1964 period;
- Beef breeding cattle, at $5.7 million, were up $500,000.

In addition, milk and slaughter cattle, at $2.9 million, were down $3 million; sheep, lambs, and goats, at $624,000, were up $35,000; and hogs, at $734,870, rose $135,000.

These, plus exports of other livestock, total in excess of $18 million—$2 million above exports in the first 10 months of 1964.

Traditionally, the market for our livestock has been in Central and South America and the bulk of the business is still there. However, in recent years, we have begun a more intensive search for worldwide markets.

New export markets

By 1964, we were exporting to more than 40 countries, and 16 percent of our total sales of dairy cattle were being made outside the Western Hemisphere. In 1965, I estimate that 20 percent of the sales were outside this Hemisphere.

These newer markets afford some striking examples of what can be accomplished through market promotion.

In Italy, for instance, we successfully promoted improved Holsteins in competition with Dutch Holsteins. Work here began in 1960 on a small basis, against almost insurmountable odds, and results did not appear until 1964. That year we scored a breakthrough; and in the first 10 months of 1965, we shipped Italy 2,814 head with a value of $1.1 million. This will be the No. 2 market for U.S. dairy cattle in 1965.

A gift of 20 head of calves to the Orphans Home of Korea from the people of Waco, Texas, with transportation by the U.S. Air Force, led to the opening of a hitherto undreamed-of market in South Korea. The gift was followed by cooperation and technical assistance on an informal basis.

The rest is history. Between 1961 and 1965, the United States exported 2,443 head to South Korea for an estimated value of $1.2 million. These exports were strictly commercial sales. In 1964, Korea had climbed to No. 4 in world market for U.S. dairy cattle.

Potential markets yet untapped

These examples are cited as evidence that no possibility should be overlooked until study and imagination and work have been exhausted.

After traveling abroad in more than 60 countries in the past 8 years, I would say as an educated guess that we have not reached our potential in exports. Our breeding cattle are world famous, because of improvements brought about through selection based on production, performance, and morphological excellence.

Every year, more countries are seeking our seed stock to improve their existing herds because of the extreme adaptability of U.S. breeds.

Market for U.S. Farm Products Surveyed in Central America

Now underway in the six countries and one territory making up Central America is a comprehensive study on how U.S. farm products will fare in this expanding market 4, 9, and 14 years hence.

The study, covering Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, and the Territory of Belize, is being conducted by a private research organization in cooperation with the Economic Research Service. It will include projections for supply and demand in 1970, 1975, and 1980, thus providing guidance in planning market development activities, in indicating long-term trends that could alter import or export patterns, and in formation of general agricultural policy.

Traditionally dependent on the United States for most of their agricultural imports, Central American nations have drawn closer to one another since forming their own common market—the Central American Free Trade Area. U.S. agricultural exports to the CAFTA (which does not include Panama or the Territory of Belize) rose 43 percent between 1960 and 1964 but intraregional CAFTA trade grew twice as fast.

The big question now is whether further economic integration within CAFTA will erode this good cash market, or whether our trade there can be maintained or expanded by market development and/or by increased agricultural needs not met within the area. Supporting the latter possibility is the priority being given to industrial expansion by most of the Central American nations, their rapidly increasing consumer purchasing power, and their fast rate of population growth.

Central America accounts for more than 8 percent of our farm shipments to all of Latin America, buying mainly wheat and wheat flour, dairy products, and fruits and vegetables.

Intense Promotion Helps Cotton Remain No. 1 Fiber in Belgium

The role of consumer promotion in maintaining cotton as top fiber in Belgium is highlighted by the success of a recent press preview of 1966 household and apparel cottons.

The Belgian Cotton Institute, which since 1957 has cooperated with Cotton Council International and FAS in cotton promotion, called the conference "its biggest to date." Attending were some 75 journalists—65 percent more than usually attend and representing every important Belgian publication.

Among the 225 models of apparel shown were men's wear inspired by CCI's Casual Cottons 1966 promotion and an extensive collection of women's wear. Combined with the fashion show was a White Weeks display of a wide variety of household cottons.

Press reports still coming in indicate the joint showing has achieved unprecedented publicity mileage. Belgium's national television proposes to carry two half-hour cotton programs, one on apparel and one on household textiles. Radio stations are doing special programs, and a number of magazines want color illustrations.

According to a recent analysis of cotton's competitive position in 17 major apparel and household end uses, it remains the leading fiber in all but two despite intensive competition. Polyester and wool dominate the field of men's trousers and polyester outranks cotton in rainwear. Most of the cotton—95 percent—goes into sheets, pillowcases, and men's underwear.

During marketing year 1964-65 (August-July), the United States exported to Belgium over 82,000 bales of cotton worth about $10,595,000.

Britain Taps New Beef Source

The United Kingdom last month purchased an initial 336 tons of beef from South-West Africa, with monthly imports from this source expected to continue at about the same level in the immediate future.

Although only a small part of total monthly beef imports, which in October 1965 totaled 33,059 tons, the shipment from this new source was called a useful addition to U.K. supplies. The country's beef and veal imports in January-October 1965, at 266,250 tons, showed a substantial drop from the previous year's 10-month level of 322,918.

The beef shipped to the United Kingdom was from European-type breeds such as Brown Swiss, Simmenthal, Angus, Hereford, and Shorthorn and crosses of these breeds with Brahmin and the native Afrikander.

Finnish Cotton Consumption Steady

Finnish cotton mills consumed 75,000 bales (480 lb. net) of cotton in 1964-65 (August-July), compared with 77,000 bales in 1963-64. Consumption in 1965-66 is forecast at around the same level as 1964-65.

The bulk of Finland's cotton requirement is supplied by the USSR under a trade agreement. In 1964-65 Finland imported 56,000 bales from the Soviet Union, while 14,000 bales came from the United States, compared with 59,000 and 10,000 bales, respectively, in 1963-64.

Imports of cotton fabrics into Finland have been decreasing (despite the absence of quantitative import restrictions), while yarn imports have been increasing, suggesting that the weaving sector is competitive within the present tariff framework. It is expected that the lowering of tariffs within EFTA will cause increased imports of cotton textiles in the years ahead. If a program of modernization and expansion can be developed, it would be entirely possible that the local industry could supply the major share of the steadily growing Finnish cotton textile market. Finland joined the GATT long-term arrangement last summer.

Mexico Transships Less Cotton

Transshipments of Mexican cotton through U.S. ports amounted to 230,000 bales (480 lb. net) during the 1964-65 season (August-July). This was down 31 percent from the 331,000 bales shipped during the previous season and down 74 percent from the average shipments of 878,000 bales that passed through U.S. ports during the 5 years ending with 1954-55. Most of Mexico's cotton exports now move through Mexico's Pacific coast ports.

Transshipments in July 1965 were 14,000 bales, compared with 22,000 in June and 14,000 in July 1964.

Principal destinations of the 1964-65 transshipments, with comparable 1963-64 figures in parentheses, were Italy 46,000 (71,000), France 43,000 (49,000), West Germany 21,000 (33,000), United Kingdom 20,000 (18,000), Chile 14,000 (23,000), Switzerland 13,000 (15,000), Australia 11,000 (19,000), South Africa 11,000 (8,000), Poland 8,000 (0), Uruguay 6,000 (7,000), Portugal 5,000 (0), Japan 3,000 (12,000), Spain 3,000 (0), and Belgium 3,000 (7,000).

U.S. ports through which most Mexican transshipments moved during 1964-65 were Brownsville, 192,000 bales; Houston, 18,000; Los Angeles, 12,000; Corpus Christi, 5,000; and Galveston, 3,000.

Canada's "Butter Gap" Widens

Butter consumption has outpaced production for the second consecutive year in Canada. In 1964, production totaled nearly 352 million pounds (accounting for 45 percent of total milk production), while consumption was 357 million pounds—a deficit of 5 million pounds. The deficit in 1965 was even greater. Preliminary figures indicate a deficit approaching 22 million pounds. Butter production was down about 16 million pounds from the 1964 level.

As a result of this deficit there has been a general drawdown on stocks during the past 2 years. Stocks declined from 137 million pounds on December 1, 1963, to 107 million on December 1, 1964. By December 1, 1965, they had declined still further, to approximately 90 million.

In an effort to forestall an even wider production-consumption deficit in 1966 the Canadian Agricultural Stabilization Board on January 7, 1966, increased its selling price of creamery butter by 1.85 cent per pound—from 50.88 to 52.73.

The Board will implement the increase by continuing to purchase 93 score butter at 50.88 and 92 score at 49.95 but will sell both to wholesalers at 52.73 cents per pound. Since the producer will continue to receive 59.20 cents the government subsidy to consumers will be reduced to 6.48.

This continues a government policy of gradual reduction of the consumer subsidy. For 2 years, the subsidy was 11.10 cents per pound; it was reduced to 10.18 on May 1, 1964, and subsequently to 8.33 on May 1, 1965.

French Sales of Butter Decline

France's exports of butter during the first 10 months of 1965, at 46 million pounds, were only 64 percent of the comparable period in 1964. Shipments to all the most important markets were down sharply, with the exception of Switzerland, which took slightly more than 1 million pounds compared with less than 1 million last year. Sales to the United Kingdom of 19 million pounds and to West Germany of 15 million were each smaller by 3 million pounds than in the same months of 1964. Italy's purchases were down to 7 million pounds from 12 million. There was a sharp decline in trade with African markets.

Butter imports in the same period, at 38 million pounds, were more than 5 times as large as those of a year ago. The bulk of these were imported during the first quarter of the year when French butter stocks were low. The United States supplied more than 24 million pounds, and West Germany most of the remainder.

EEC Cuts Supplemental Chicken Levies

The EEC Commission has announced that effective January 17 the supplemental levies on all whole chickens and chicken halves and quarters imported from third countries will be reduced to 3.63 cents per pound. This represents approximately a 1-cent-per-pound reduction on all categories.

This change leaves the total levy on whole broilers at approximately 13 cents per pound.

Malay, Singapore Exports of Oil, Copra

Net exports of copra and coconut oil from the Malay States and Singapore during the first 10 months of 1965 totaled 14,248 long tons, oil basis, compared with 9,105 in January-October 1964. Imports of copra, largely from Sabah, increased to 20,559 tons from 17,963; exports of copra increased to 12,789 (of which India took 10,515) from 5,016.

Coconut oil exports during the January-October period totaled 22,051 tons. Major destinations were Canada, 5,529 tons; North Vietnam, 2,411; Burma, 2,200; and South

Africa, 2,128. Exports of coconut oil in January-October 1964 totaled 18,266 tons. Imports of coconut oil increased to 2,829 tons from 874.

Spain Suspends Soybeans, Peanut Duties

The Spanish Government has announced that peanuts will be free of import duties through March 13, 1966, and soybeans, through April 5.

Also exempted from duties are fresh and powdered milk, through March 31, and in-the-shell eggs, through April 6.

Advance publication of the 11th list of liberalized commodities (*Official Bulletin* of Dec. 29, 1965) revealed that no agricultural or related commodities are included.

Suez Canal Shipments Down in November

Northbound movements of oil-bearing materials through the Suez Canal during November 1965 at 106,334 metric tons were one fifth less than in October and slightly below those of November 1964. The decline from October chiefly reflected reduced shipments of copra.

NORTHBOUND SHIPMENTS OF OIL-BEARING MATERIALS THROUGH THE SUEZ CANAL

Item	November		October-November	
	1964	1965	1964-65	1965-66
	Metric tons	*Metric tons*	*Metric tons*	*Metric tons*
Soybeans[1]	4,367	0	43,648	0
Copra	61,805	75,749	155,528	181,148
Peanuts	13,664	7,837	23,545	12,868
Cottonseed	15,119	8,239	19,769	13,331
Flaxseed[2]	442	0	1,212	0
Castorbeans	3,150	3,022	6,501	5,732
Palm kernels	973	2,491	4,152	5,310
Sesame	2,052	1,874	2,052	8,780
Others	8,397	7,122	14,232	11,989
Total	109,969	106,334	270,639	239,158

[1] Metric ton of soybeans = 36.7 bu. [2] Metric ton of flaxseed = 39.4 bu. Suez Canal Authority, Cairo, Egypt.

Aggregate shipments during October-November at 239,158 tons were 12 percent less than in the comparable period a year earlier. Movements of soybeans and flaxseed in these 2 months were nil, while those of all other commodities except copra, palm kernels and sesame declined from the previous year. Copra shipments increased one sixth.

NORTHBOUND SHIPMENTS OF SOYBEANS THROUGH THE SUEZ CANAL

Month and quarter	Year beginning October 1				
	1961	1962	1963	1964	1965
	1,000 bu.	*1,000 bu.*	*1,000 bu.*	*1,000 bu.*	*1,000 bu.*
October	381	11	0	1,443	0
November	130	0	19	160	0
December	408	2	0	0	—
October-December	919	13	19	1,604	—
January-March	4,082	1,328	1,484	2,826	—
April-June	239	573	706	1,376	—
July-September	327	1,585	4,106	1,562	—
October-September	5,567	3,498	6,315	7,368	—

Totals computed from unrounded numbers.
Suez Canal Authority, Cairo, Egypt.

Gambia's Peanut Production Increasing

Gambia's 1965-66 commercial peanut production is expected to reach 100,000 long tons. This would be an increase of 7 percent from last year's total and one-fourth above the 1960-64 average. There are no estimates of the quantity of peanuts consumed by producers; consequently estimates of total production are not available.

Increasing production during the last 2 years is attributed to efforts by the Gambian Department of Agriculture to increase and improve production through the use of better seeds and more fertilizer and the wider use of oxen for plowing. Area planted is believed to have remained fairly constant at roughly 200,000 acres.

Recent increases in production have exerted pressure on existing marketing and processing facilities. Representatives of the Gambia Oilseeds Marketing Board (GOMB) state that the marketing of the crop must be completed before the beginning of the rainy season to prevent excess losses from moisture. Some believe that if the current crop reaches 100,000 tons it may be difficult to complete the marketing before the rains begin.

Oil mills will receive 55,000 tons of this year's crop, and the remainder will be exported as shelled nuts.

Producers will receive £28 ($78.40) per ton for unshelled peanuts from the 1965-66 crop, compared with £27 ($75.60) during each of the 5 preceding years. The increase is based on GOMB's expectation of somewhat stronger international market prices for peanuts and peanut oil than last year.

The Board's export sales of shelled peanuts are made through an affiliate in London—The Gambia Oilseeds Marketing Company, Ltd.—and shipment is made on chartered vessels. During 1964, Gambia exported 30,323 tons of shelled peanuts, 26,000 to Italy and the remainder to the United Kingdom. Peanut oil exports totaled 8,464 tons and those of oilcake 11,748 tons.

The Gambian Department of Agriculture is continuing efforts to increase yields and hopes to increase total production by 30 percent over the next 4 to 5 years.

Argentine Vegetable Oil Exports Rise

Argentina's exports of vegetable oils during January-November 1965 totaled 313,689 metric tons, 55 percent above those of the comparable period of 1964 and 43 percent above those of the entire year 1964.

ARGENTINA'S VEGETABLE OIL EXPORTS BY TYPE

Oil type	1964	January-November	
		1964	1965
	Metric tons	*Metric tons*	*Metric tons*
Cottonseed	—	—	998
Peanut	120	120	53,443
Sunflowerseed	—	—	25,706
Olive	8,046	6,296	4,772
Linseed	192,123	181,416	217,749
Tung	18,408	14,058	11,021
Total	218,697	201,890	313,689

Estadística Mensual de Exportación de Frutos del País and trade sources.

Exports of edible oils, largely peanut and sunflower, rose to 84,919 tons from only 6,416 in the 1964 period.

Exports of linseed oil increased one-fifth, but exports of tung oil declined in about the same proportion.

Swedish Winter Rapeseed Acreage Down

The area sown to rapeseed in Sweden in the fall of 1965, according to the October 15 crop survey, is officially estimated at 154,400 acres—about one-fourth below the 201,900 acres sown in the fall of 1964. This reduction resulted from unfavorable weather and is unlikely to be fully offset by larger seedings of spring rape.

Iran's Date Pack Unchanged

The 1965-66 Iranian date crop is tentatively estimated at 315,000 short tons—the same as the previous year but 45,000 tons below the 1963-64 pack. Production in the southwest Province of Khuzistan is estimated at 75,000 tons compared with 85,000 a year ago. Reportedly, the Industrial Credit Bank plans to establish a date packing plant and cold storage facilities in Bam, in southeast Iran.

Approximately $400,000 (rial equivalent) will be invested, of which 50 percent will be private capital. The new plant may help overcome marketing problems, such as the lack of standardization and hygienic packing, which have faced the date industry in the Bam area.

Exports are expected to remain at the 1964-65 level of 28,000 tons. During the first 2 quarters of the Iranian year (Mar. 21-Sept. 22, 1965) the United States was the leading overseas market.

IRAN'S DATE SUPPLY AND DISTRIBUTION

Item	1963-64	1964-65[1]	1965-66
	Short tons	*Short tons*	*Short tons*
Beginning stocks (Sept. 23)	18,000	35,000	22,000
Production	360,000	315,000	[2]315,000
Total supply	378,000	350,000	[3]337,000
Exports	23,000	28,000	[3]28,000
Domestic disappearance	320,000	300,000	[3]285,000
Ending stocks (Sept. 22)	35,000	22,000	[3]24,000
Total distribution	378,000	350,000	[3]337,000

[1] Revised. [2] Estimate. [3] Forecast.

Turkish Raisin Pack Is Record

The 1965 Turkish raisin crop is estimated at a record 120,000 short tons—up 42,000 from the revised 1964 figure and over 32,000 tons above average. Although small sizes account for approximately 15 percent of the crop as opposed to 9 percent one year earlier, the export control office, in setting 1965-66 export standards, has not increased the number of raisins per 100 grams (3.5 ounces) from the 1964 level, as the following figures show:

Grade	1964 *Raisins per 100 grams*	1963 *Raisins per 100 grams*
No. 7	360	367
No. 8	350	357
No. 9	340	346
No. 10	330	346
No. 11	275	289
No. 12	237	245

Exports of the 1965-66 pack have been forecast at 88,000 tons, or 24,000 above the previous year's total. During the 1964-65 season, the United Kingdom was the leading foreign market, followed by the Soviet Union, the Netherlands, West Germany, and Italy. As of the first week in January, it was still not known when TARIS, the government-supported cooperative, would start selling raisins to exporters. Reportedly, TARIS bought about 66,000 tons of raisins; exporters obtained roughly 52,000.

Export prices are said to have been maintained at the previously published minimum levels established during the Brighton, England, meeting. However, rumors about rebates which are higher than agreed upon are circulating in Greece and Turkey. Besides actual purchases, authorities have attempted to maintain the minimum prices by imposing a daily additional tax levied on commodity exchange sales commencing September 2, 1965.

TURKISH SEEDLESS RAISIN EXPORTS

Country	1964-65	Country	1964-65
	Short tons		*Short tons*
Czechoslovakia	1,185	Jordan	5
Germany, East	1,157	Kuwait	5
Hungary	551	Lebanon	66
USSR	13,369	Libya	17
Belgium-Luxembourg	3,179	Malta	14
France	2,398	Norway	140
Germany, West	4,949	Sweden	12
Italy	4,571	Switzerland	1,362
Netherlands	7,775	United Kingdom	21,093
Austria	515	United States	119
Denmark	20	Uruguay	138
Iceland	238	Yugoslavia	419
Ireland	1,098	Grand total	64,395

TURKEY'S RAISIN SUPPLY AND DISTRIBUTION

Item	1964-65[1]	1965-66
	Short tons	*Short tons*
Beginning stocks (Sept. 1)	1,000	1,000
Production	78,000	[2]120,000
Total supply	79,000	[3]121,000
Exports	64,700	[3]88,000
Domestic disappearance	13,300	[3]16,000
Ending stocks (Aug. 31)	1,000	[3]17,000
Total distribution	79,000	[3]121,000

[1] Revised. [2] Estimate. [3] Forecast.

Record Argentine Wheat Exports

National Grain Board President Duchini yesterday announced that Argentine wheat exports in 1965 reached a record-breaking 6.66 million metric tons—nearly 50,000 tons above the previous high in 1929 and 2.95 million over the 1964 exports. Shipments of all grains totaled 10.54 million for a 28-year high, up 1.49 million from 1964.

Sr. Duchini noted that the record wheat sales were achieved despite limited port facilities, the strike of Grain Board employees in October, and other obstacles.

There still remain 2.5 million tons of the 1964-65 wheat crop to be shipped, he said. Most has been committed to Russia and Communist China.

Japan's 1965 Rice Harvest Down

The 1965 Japanese rice harvest, announced last month at 12,409,000 metric tons of brown rice, was 175,000 tons short of the 1964 crop and the lowest since 1959.

This third successive year of decline in the rice harvest was attributed to unusually low temperatures during the early spring and late summer in the North Honshu and Hokkaido districts and to serious typhoon damage during the harvest season in the central rice producing areas.

Japan's Ministry of Agriculture and Forestry may have to import more than 950,000 metric tons of short grain rice to meet growing demands for the rice ration program handled under the government's staple food distribution program.

JAPAN'S BROWN RICE ACREAGE AND PRODUCTION

	1,000 acres	*1,000 metric tons*
1959	8,125	12,501
1960	8,174	12,859
1961	8,156	12,419
1962	8,116	13,009
1963	8,050	12,812
1964	8,048	12,584
1965	8,043	12,409

Malaysia Opens Large New Flour Mill

Reportedly the largest flour mill in southeast Asia, the 13.3-million-dollar project of Malayan Flour Mills Ltd. at Batu Undan went into full production during the week of December 20, 1965.

The new mill will use 260,000 long tons of wheat to produce 187,200 tons of high-grade flour annually. This capacity is more than sufficient to meet the needs of all Malaysia. Silos and bins provide storage for over 30,000 tons of wheat.

The project, which will employ 300 workers, was strongly supported by the Malaysian Government as well as the State Government in Perak.

Japanese Sugar Consumption Rises

Sugar consumption is expected to rise to 2 million tons in 1966. The rising trend reflects lower domestic prices and increasing population.

Japan will import about 1.5 million tons of raw sugar this year, which represents a slight increase from last year. Some of this sugar is already contracted for and will arrive by the middle of the year.

Imports of Australian and Cuban sugar exceeded 300,000 tons in 1965 and will increase in 1966. About 350,000 tons were Taiwan sugar and 300,000 from Natal. Rhodesian imports in the amount of 50,000 tons were banned for 1965 shipments and there are no planned imports for 1966. In addition to these heavy imports, 200,000 tons will be purchased from Okinawa. Japan produces about 300,000 tons (beet and cane). With the Japanese production and the proposed imports, the consumption needs are met for 1966.

Sugar Campaign in Malaysia

Malaysia has begun a campaign for sugar production, looking toward the attainment of self-sufficiency.

Until 1964, the country's one sugar refinery produced only a small fraction of the 250,000-ton yearly consumption requirements.

Surveys have been made on the feasibility of sugar production, one by Australian experts and the other by Nationalist China (Taiwan).

The Taiwan survey indicated that Malaysia had all the prerequisites for a sugar industry. Taiwan plans to help Malaysia in the construction of a US$7-million sugar refinery. Taiwanese engineers will design the refinery, in which every phase of sugar refining will be carried on. Under joint Malaysian-Taiwanese private capital, another refinery is being constructed in northern Malaysia. The cane will be provided by over 4,000 smallholders.

The Johore State Government has leased 20,000 acres to a syndicate based in Singapore, for the cultivation of cane.

The Chief Minister has announced the following conditions under which the land is leased:

- Fifty percent must be subscribed by Federal citizens;
- Ten thousand acres must be planted within 3 years and all the rest within 5 years;
- All sugar grown on leased land must be processed by the lessee company at a refinery established on the plantation or elsewhere in the State (Johore);
- The lessee company shall not subdivide or transfer the land to another company.

The refinery will cost about 45 million dollars and will employ 2,000 workers.

Rhodesians May Use Tobacco Support

In view of the difficulties expected in marketing the 1966 tobacco crop in Rhodesia, a plan has been proposed by the Rhodesian Tobacco Association to ease the situation. Under this plan, tobacco would be graded and auctioned in the usual way, but a "reserve" price would be fixed for each grade. If commercial buyers did not meet these reserve prices at the auction, the government would buy in the leaf. Indications are that the reserve prices would reflect cost of production rather than make allowance for profit to the growers.

Such a plan, if implemented, might involve about $28 million in government funds.

To obtain the amount of money that would be required to operate such a plan, in Rhodesia's present economic circumstances, will not be easy.

New Zealand's Cigarette Output Up

Cigarette output in New Zealand during the first half of 1965 totaled 1,917 million pieces, up 18.2 percent from the 1,622 million produced in January-June 1964. Combined production of the other products, however, dropped to 1.8 million pounds, from 1.9 million for the first 6 months of the previous year.

Cigarette sales, at 1,975 million pieces, were almost the same as the 1,978 million pieces sold in January-June 1964. Combined sales of the other products dropped to 1.8 million pounds from 2.1 million for the same period a year ago.

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Farm Export Pattern

(Continued from page 7)

export performance over the last 6 years has been unspectacular, hindered by increased competition from manmade fibers and from foreign suppliers of cotton.

For tobacco, exports have actually been well maintained on an absolute basis, regardless of the small export percentage decline. U.S. tobacco has not, however, participated in the increase of world exports during recent years. U.S. tobacco growers have had difficulty in meeting intensified foreign competition, mainly with regard to the prices of lower qualities of leaf. In addition, foreign producers have been assisted in export sales by bilateral arrangements, preferential tariffs, and other factors which have placed U.S. exports at a disadvantage.

Lard—another commodity whose export share is off from fiscal 1960— actually enjoyed a fairly active demand in fiscal 1965 compared with the 2 preceding years. However, even then it failed to match its good performance of the 1950's, and uncertainty over foreign demand continues because of this commodity's heavy reliance on one market —the United Kingdom.

Japan best customer

Countries helping to boost the share of our production moving into export are of course numerous—the United Kingdom, West Germany, the Netherlands, Canada, India (as a P.L. 480 market), Italy, Spain, several of our Latin American neighbors, and so on. But one buyer stands far ahead of the rest—Japan.

In fiscal 1965, Japan was our No. 1 dollar market for 8 of the top 10 exports. It took more U.S. wheat and wheat flour than any other dollar purchaser, more soybeans, more corn, grain sorghums, barley, rice, cotton, and tallow. Only commodities for which it was not the major market were tobacco (for which Japan is third biggest) and lard, the largest shares of these going to the United Kingdom.

India, of course, was the dominant P.L. 480 outlet, taking about 10 percent of our wheat and wheat flour exports and 25 percent of the rice.

Most startling change

Paradoxically, rice—the most constant commodity of the group—has shown the most dramatic market change during the period: Japan, importer of virtually no U.S. rice in fiscal 1960, zoomed to first place among U.S. dollar markets in fiscal 1963, while Indonesia—formerly second biggest outlet—dropped out of the picture when P.L. 480 shipments to it were discontinued.

EEC, GATT, UNCTAD

(Continued from page 6)

UNCTAD's 55-member Trade and Development Board, which meets twice a year, has four subsidiary committees dealing with commodities, manufactures, invisible transactions and financing relating to trade, and shipping. All met during 1965. The Committee on Commodities set up a synthetics group to analyze the competition between natural products and synthetic substitutes.

At the commodities meeting, the less developed countries (LDC's) emphasized the need for commodity arrangements and other mechanisms to achieve "remunerative prices" for their exports; and they recommended that the developed countries restrict production of commodities that compete with LDC export products.

The Committee on Commodities is to explore the possibility of setting up a series of guidelines for commodity arrangement. It will also undertake studies on cocoa, rubber, and fats and oils to see what problems would be involved in organizing international trade in these products. Next meeting of the Committee will be in October.

UNCTAD's first international conference for negotiating a long-term commodity agreement was the International Sugar Conference held under its auspices in Geneva from September 20 through October 14, 1965. No agreement was reached, but the conference resolved to arrange a second session for the spring of 1966, or as soon thereafter as a successful outcome appears likely.

UNCTAD also sponsored a special meeting of the Working Party on Prices and Quotas of the United Nations Cocoa Conference. This meeting, held in Geneva in late October 1965, considered proposals put forward by major cocoa-producing countries for short-term measures to alleviate the problems facing cocoa producers. The Conference concluded that no short-term measures were necessary, but that prices were still unsatisfactory. Another meeting of the Working Party is to be held this month.